GOVERNMENT OF INDIA
COAL
LOK SABHA

UNSTARRED QUESTION NO:2025
ANSWERED ON:16.12.2003
RECOMMENDATIONS OF THE ELEVENTH FINANCE COMMISSION
TRILOCHAN KANUNGO

Will the Minister of COAL be pleased to state:

(a) whether the Government is aware of the recommendations of the Eleventh Finance Commission as regards timely upward revision of coal royalty every third year and the royalty decision by an independent agency other than his Ministry;

(b) if so, the details of the recommendations made by the Commission; and

(c) the action taken by the Government on the recommendations of the Commission?

Answer

MINISTER OF STATE FOR COAL (SHRI PRAHLAD SINGH PATEL)

(a) & (b) The recommendations of the 11th Finance Commission are as under :-

Royalty rates on minerals be revised regularly and the decision about the revision of the rates of royalty be taken well before the date on which the revision falls due so that it can be notified immediately after the completion of every three-year period as provided under the law. In case the process of revision is not completed by the date the new revision is due, the States should be entitled to compensation.

Fixation of royalty rates is done by the concerned Ministry/Department. For the sake of transparency and fairness, the task of making recommendations of royalty rates should be entrusted to an independent body.

(c) Proviso to Section 9(3) of the Mines & Minerals (Development & Regulation) Act, 1957 provides that royalty rates on minerals can not be enhanced more than once during a period of three years. This does not mandate revision or royalty rates on minerals including coal after completion of every three year period and therefore revision of royalty rates do not mandatorily become due after every three years. As such the question of compensation to States in this regards does not arise. As regards the other recommendation, there is no proposal under the consideration of the Government that the task of making recommendations for revision of royalty rates on coal should be entrusted to an independent body. The royalty rates for different grades of coal from time to time are fixed by the Central Government under relevant provisions of the MM(D&R)Act, 1957 on the basis of the recommendations made by a study group constituted for the purpose. The study group makes recommendations after detailed discussions and deliberations with the concerned parties including the coal consumers as well as the coal producing States. Before making their recommendations, the study group keeps in view the interests of the coal consumers, coal producing States as well as the interests of the economy as a whole. The recommendations made by the study group are examined and decided upon by the Government having regard to the overall economic situation of the country.